

STATE OF CALIFORNIA  
State Energy Resources  
Conservation and Development Commission

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In the Matter of: ) Docket 04-IEP-01K  
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The Preparation of the *2005 Integrated* )  
*Energy Policy Report (2005 Energy Report)* )  
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## **Comments of the California Clean DG Coalition Draft 2005 Integrated Energy Policy Report**

Pursuant to the "Notice of Committee Hearings and Availability of the 2005 Committee Draft Energy Report" issued by the California Energy Commission on September 15, 2005, the California Clean DG Coalition (CCDC) submits the following comments regarding the Draft 2005 Integrated Energy Policy Report (Draft IEPR).

### ***1. Introduction***

CCDC is an ad hoc group interested in promoting the ability of DG system manufacturers, distributors, marketers and investors, and electric customers, to deploy distributed generation (DG).<sup>1</sup> Accordingly, CCDC is interested in the impact of the Draft IEPR on distributed generation, and particularly CHP. The benefits are accurately documented in the IEPR. CHP should be specifically named and identified as a priority in the State's Energy Resources loading order.

We applaud the Presiding Commissioners and the authors for their frank and "gloves off" discussion of the issues. Achieving the policy goal of ensuring an adequate, affordable, reliable energy supply is indeed no small task. CCDC's members, who are in the front line of deploying small CHP (typically up to 20 MW in size), find that the Draft IEPR includes a realistic assessment of the impediments to our industry, and emphatically support the Committee's recommended actions.

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<sup>1</sup> CCDC is currently comprised of Capstone Turbine Corporation, Caterpillar, Inc., Chevron Energy Solutions Company, Cummins Cal-Pacific, Cummins, Inc., Cummins West, Inc., DE Solutions, DTE Energy Technologies, Inc., Energy and Power Solutions, Inc., Hawthorne Power Systems, Holt of California, Ingersoll-Rand Energy Systems, Johnson Power Systems, next>edge, Inc., Northern Power Systems, Peterson Power Systems, Quinn Power Systems, RealEnergy, LLC, Simmax Energy, Solar Turbines Incorporated, and Tecogen, Inc.

## 2. *Overarching Principles*

CCDC believes the goal of achieving stable and ultimately lower rates for customers who install CHP is a strong complement to the CEC's policy goal. Clean distributed energy resources, particularly those located in or near load centers, provide increased system efficiency, resiliency to outages, and capacity to meet resource adequacy requirements.

We further believe that the regulatory compact that rewards guaranteed rates of return in exchange for regulation of the monopoly franchise inherently does not reward the increased installation of DG that our industry and the State of California have sought for so long. We believe that the regulatory compact needs to embrace, among others, the following principles:

- Rewarding total service area generation efficiency
- Rewarding service area transmission and distribution efficiency
- Rewarding resource additions that provide greenhouse gas reduction

## 3. *Recommendation*

CCDC endorses all of the findings and recommendations set forth in Draft IEPR at pages 63-68. We make the following additional comments.

1. The CEC establish as a policy goal, a CHP Portfolio of 20% of new installed capacity by 2015
2. CHP should be ranked equal to energy efficiency in the energy resource loading order. Cost effective and clean CHP supplies critical baseload capacity, high thermodynamic energy efficiency, and greenhouse gas reduction on a per kWh basis.
3. The CEC and CPUC should evaluate performance -based criteria to reward utilities for promoting CHP, in addition to the Energy Rate Adjustment Mechanism. For example, the utilities should be rewarded if they demonstrate improvement in power plant efficiency on a total system basis, improved T&D delivery efficiency, and reduction in greenhouse gases due to CHP on their systems. CCDC believes that CHP will lower short -run marginal costs and, over the long run, result in lower.
4. The CEC and CPUC should consider all regulatory and legislative actions necessary to promote CHP at multiple load sites (*i.e.*, microgrids). These sites include hospital and university campuses, multi-building commercial and retail business parks, animal and agricultural product processing facilities and pharmaceutical complexes. Specifically, the state agencies must address the existing "over-the-fence" distribution limitations. The CEC needs to adopt a policy that encourages microgrids and interoperable -based communication and control technologies. The CPUC needs to apply PU Code 218 (b) in a manner

that allows the DG community to install DG to serve microgrids. Simultaneously, legislation that specifically supports DG in microgrids should be pursued as a long-term solution.

5. The standby charge exemption of DG ("clean" DG under 5 MW) must be affirmed. The Legislature intended that eligibility for the interim standby charge exemption would extend at least until the utilities developed the long-term tariffs for DG required in Section 353.13(a) (those tariffs were to have been in place by January 1, 2003). Such long-term tariffs are to provide that "customers with similar load profiles within a customer class will, to the extent practicable, be subject to the same utility rates, regardless of their use of distributed energy resources . . . ." In other words, the Legislature's clear preference, all other things being equal, is for standby charge exemptions to continue in long-term DG tariffs. CCDC asks the CEC to collaborate with the CPUC to ensure that this issue no longer remains an impediment to DG/CHP customers.

We again thank the Commission for its aggressive and solid support of CHP. CCDC looks forward to its recommendations being incorporated in the final report and is prepared to assist the CEC and CPUC in their efforts to realize California's CHP potential.

*/s/ Eric Wong*

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Eric Wong  
On Behalf of the  
California Clean DG Coalition  
October 14, 2005